

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**



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OHIO AUDITOR OF STATE  
KEITH FABER

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Village Council  
Village of Spencerville  
116 South Broadway Street  
Spencerville, Ohio 45887

We have reviewed the *Independent Auditor's Report* of the Village of Spencerville, Allen County, prepared by Gueye & Associates, CPA, for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

#### Finding for Recovery

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

The law requires that employers withhold income and wage taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. 3102(a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v. Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008) (citing 26 U.S.C. § 3403).

Village Council  
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Due to the lack of procedures in place to timely pay liabilities and for monitoring expenditures made, the Village incurred Internal Revenue Service (IRS) untimely remittance penalties and interest charges totaling \$9,019.76 due to untimely report and payment submissions. These charges were paid in 2021 and 2023 although each resulted from errors in 2019, 2020, and 2022. These incurred costs were unnecessary expenditures that did not serve a proper public purpose and could have been avoided had the funds and reports been remitted by the required due dates. During her time in office, former Fiscal Officer Lori Och was responsible for withholding and remitting the required income taxes from employee earnings. Additionally, former fiscal Officer Lori Och received or controlled the public money used to make the expenditures.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lori Och, former Fiscal Officer, and her bonding company, Ohio Risk Management Plan, Inc, in the amount of \$9,019, and in favor of the Village of Spencerville, General Fund.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Spencerville is responsible for compliance with these laws and regulations.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 27, 2023

VILLAGE OF  
SPENCERVILLE  
ALLEN COUNTY

DECEMBER 31, 2022 AND 2021

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**INDEPENDENT AUDITOR'S REPORT**

Village of Spencerville  
Allen County  
116 S. Broadway Street  
Spencerville, Ohio 45887

To the Village Council:

***Report on the Audit of the Financial Statements***

***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Spencerville, Allen County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022, and December 31, 2021, and the related notes to the financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type, and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2022, and December 31, 2021, or the changes in financial position thereof for the years then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



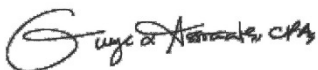
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Columbus, Ohio  
November 21, 2023

**Village of Spencerville, Ohio**  
*Allen County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2022*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 77,170	\$ 9,092	\$ -	\$ 86,262
Municipal Income Tax	607,352	287,393	25,276	920,021
Intergovernmental	66,516	266,057	-	332,573
Charges for Services	1,265	-	-	1,265
Fines, Licenses and Permits	11,672	40	-	11,712
Earnings on Investments	3,928	871	-	4,799
Miscellaneous	53,184	6,112	-	59,296
<i>Total Cash Receipts</i>	<u>821,087</u>	<u>569,565</u>	<u>25,276</u>	<u>1,415,928</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	78,674	407,234	-	485,908
Public Health Services	1,531	-	-	1,531
Leisure Time Activities	6,707	-	-	6,707
Transportation	-	225,700	-	225,700
General Government	172,398	12,643	-	185,041
Capital Outlay	-	17,657	327,924	345,581
Debt Service:				
Principal Retirement	183	7,745	4,400	12,328
Interest and Fiscal Charges	15	497	350	862
<i>Total Cash Disbursements</i>	<u>259,508</u>	<u>671,476</u>	<u>332,674</u>	<u>1,263,658</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>561,579</u>	<u>(101,911)</u>	<u>(307,398)</u>	<u>152,270</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Transfers In	195,341	235,503	68,648	499,492
Transfers Out	(319,151)	(195,341)	-	(514,492)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(123,810)</u>	<u>40,162</u>	<u>68,648</u>	<u>(15,000)</u>
<b>Special and Extraordinary Items</b>				
Special Item	2,460	-	-	2,460
<i>Total Special and Extraordinary Items</i>	<u>2,460</u>	<u>-</u>	<u>-</u>	<u>2,460</u>
<i>Net Change in Fund Cash Balances</i>	440,229	(61,749)	(238,750)	139,730
<i>Fund Cash Balances, January 1</i>	<u>575,296</u>	<u>559,086</u>	<u>632,602</u>	<u>1,766,984</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,015,525</u>	<u>\$ 497,337</u>	<u>\$ 393,852</u>	<u>\$ 1,906,714</u>

See accompanying notes to the basic financial statements

**Village of Spencerville, Ohio**  
*Allen County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Proprietary Fund Types**  
*For the Year Ended December 31, 2022*

	Proprietary Funds Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,521,565
Miscellaneous	2,612
<i>Total Operating Cash Receipts</i>	<i>1,524,177</i>
<b>Operating Cash Disbursements</b>	
Personal Services	292,042
Employee Fringe Benefits	110,303
Contractual Services	334,471
Supplies and Materials	162,697
Other	8,749
<i>Total Operating Cash Disbursements</i>	<i>908,262</i>
<i>Operating Income (Loss)</i>	<i>615,915</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental Receipts	5,999
Miscellaneous Receipts	6,289
Capital Outlay	(376,285)
Principal Retirement	(108,750)
Interest and Other Fiscal Charges	(3,148)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(475,895)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>140,020</i>
<i>Transfers In</i>	<i>15,000</i>
<i>Net Change in Fund Cash Balances</i>	<i>155,020</i>
<i>Fund Cash Balances, January 1</i>	<i>2,049,977</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,204,997</i>

*See accompanying notes to the basic financial statements*

**Village of Spencerville, Ohio**  
*Allen County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**Fiduciary Fund Types**  
*For the Year Ended December 31, 2022*

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	Fiduciary Funds Type
	Custodial
<b>Additions</b>	
Fines, Licenses and Permits for Distribution	\$ 854
<i>Total Additions</i>	854
<b>Deductions</b>	
Distributions to Other Governments	389
<i>Total Deductions</i>	389
<i>Net Change in Fund Balances</i>	465
<i>Fund Cash Balances, January 1</i>	1,433
<i>Fund Cash Balances, December 31</i>	\$ 1,898

*See accompanying notes to the basic financial statements*

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 1 – Reporting Entity**

The Village of Spencerville (the Village), Allen County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides various services including a mayor's court, police protection, recreation, street maintenance and repair, water and sewer utilities, and general administrative services. The Village contracts with the Spencerville Invincible Fire Department for fire and Spencerville EMS for emergency medical services.

The Village has been declared unauditably by the Auditor of State's Office. As of October, the former Fiscal Officer resigned, and a new Fiscal Officer has been hired. In November 2022, the firm of Julian and Grube CPA's from Westerville, Ohio has been retained and is working to balance the financial books.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in a public entity risk pool, Ohio Public Risk Management (OPRM). Notes 7 to the financial statements provide additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types, which are all organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction, Maintenance and Repair*** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village street. This fund receives 92.5% of the above tax money.

***Income Tax Fund*** - This fund receives local income tax which is collected by the Income Tax Administrator. The rate for 2022 was 1.5%. Net collections are then disbursed to other funds per ordinances.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**State Highway Improvement Fund** - This fund received state money for maintenance in conjunction with the State Highway in the Village. This fund receives 7.5% of the gasoline tax and motor vehicle tax monies.

**Police Enforcement Fund** – This fund receives a share of the net local income tax collected (25%) and is used to supplement the police department salaries, wages, and other operating expenses

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village has one capital projects fund that receives a share of the local income tax.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Operating Fund** - This fund receives cash receipts from water sales to Village residents. Water systems operating cash disbursements are made from this fund.

**Sewer Operating Fund** - This fund receives cash receipts from sewer operations within the Village. Sewer system operating cash disbursements are made from this fund.

**Garbage/Refuse Fund** - This fund receives charges for services from residents to cover the cost of garbage collection in the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Mayor's Court activity.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2022 budgetary activity appears in Note 4.

***Deposits***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Leases***

The Village is the lessor/lessee in various leases (as defined by GASB 87) related to buildings, vehicles, and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**Committed** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, at December 31, 2022, the New Well Project enterprise fund had a deficit cash balance, in the amount of \$17,788.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$577,905	\$1,018,888	\$440,983
Special Revenue	1,659,505	805,068	(854,437)
Capital Projects	377,634	93,924	(283,710)
Enterprise	1,781,250	1,551,465	(229,785)
Total	<u>\$4,396,294</u>	<u>\$3,469,345</u>	<u>(\$926,949)</u>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$772,171	\$579,248	\$192,923
Special Revenue	975,174	880,737	94,437
Capital Projects	465,250	332,674	132,576
Enterprise	1,852,172	1,426,658	425,514
Total	<u>\$4,064,767</u>	<u>\$3,219,317</u>	<u>\$845,450</u>



**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 5 – Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village's deposit accounts are as follows:

	<u>2022</u>
<b>Cash Management Pool:</b>	
Demand deposits	\$3,538,154
Other time deposits (savings and NOW accounts)	<u>575,455</u>
Total Deposits	<u><u>\$4,113,609</u></u>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Income Taxes**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 7 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**Village of Spencerville, Ohio**  
*Allen County*  
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*For the Year Ended December 31, 2022*

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Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2022.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	<u>(18,158,351)</u>
Members' Equity	<u>\$ 3,503,940</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

***Workers' Compensation***

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities is calculated as one experience and a common premium is applied to all entities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all entities in the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. The Municipal League provides administrative, cost control and actuarial services to the GRP.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2022.

**Village of Spencerville, Ohio**  
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**Social Security**

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2022, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Leases		
Dump Truck Lease	\$20,401	3.90%
Ohio Public Works Commission Loans		
Downtown Streetscape	11,194	0.00%
Water Tower	7,873	0.00%
Water Distribution System	7,500	0.00%
Broadway & Mulberry Streets Waterline Replacement	49,184	0.00%
Ohio Water Development Authority Loan		
Water Tower Replacement	105,686	2.00%
WTP Construction	1,253,916	0.00%
Asset Management Plan	4,068	0.00%
New Well Construction	283,591	0.00%
Total	<u>\$1,743,413</u>	

**Village of Spencerville, Ohio**  
*Allen County*  
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**OPWC Downtown Streetscape Loan** - In 2010, the Village obtained a \$29,850 loan for 20 years for the Downtown Streetscape beautification project. Debt service payments will be made in semiannual installments of \$746 on January 31 and July 1 with final payment January 2030 at a rate of 0%.

**OPWC Water Tower Loan - Planning**: In 2007, the Village obtained a loan in the amount of \$34,990 for 20 years for planning of the water tower replacement project. The loan is payable in semiannual payments of \$874 on January 31 and July 1 through January 2027 at a rate of 0%. The loan is secured by water rates.

**OPWC Water Distribution System Loan** - In 2004, the Village obtained a loan in the amount of \$100,000 for 20 years for water system distribution improvements. The loan is payable in semiannual payments of \$2,500 on January 31 and July 1 through 2024 at a rate of 0%. The loan is secured by water and sewer rates.

**OPWC Broadway & Mulberry Streets Waterline Replacement** - In 2021, the Village obtained a loan in the amount of \$50,446 for 20 years for water system distribution improvements. The loan is payable in semiannual payments of \$1,261 on January 31 and July 1 through 2039 at a rate of 0%. The loan is secured by water and sewer rates.

**OWDA Water Tower Replacement Loan** - In 2007, the Village obtained a loan in the amount of \$405,108 for 20 years for the replacement of a water tower. The loan is payable in semiannual payments of \$12,338 on January 1 and July 1 through 2027 at a rate of 2%. The loan is secured by water rates.

**OWDA WTP Construction Loan** - In 2012, the Village obtained a \$1,791,308 loan for 30 years for the construction of a new water treatment plant. Semiannual payments of \$29,855 are due on January 1 and July 1 with final payment July 1, 2043 at a rate of 0%. The loan is secured by water and sewer rates.

**OWDA Asset Management Plan** - In 2018, the Village obtained a loan in the amount of \$10,170 for 5 years for developing an asset management plan for the water system. The loan is payable in semiannual payments of \$1,017 on January 1 and July 1 through 2024 at a rate of 0%. The loan is secured by water rates.

**OWDA New Well Construction** - In 2019, the Village obtained a loan with OWDA for the construction of a new well. The loan is payable in semi-annual payments of \$5,064 on January 1, 2022 through July 1, 2050 at a rate of 0%. The loan is secured by water rates.

**Financed Purchases**

The Village has entered into financed purchases agreements for a 2019 International HV507 Dump/Plow Truck where ownership of the underlying asset transfers to the Village by the end of the contract. The Village disbursed \$21,198 to pay lease costs for the year ended December 31, 2022.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**Amortization**

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Truck Lease	OWDA Loan	OPWC Loans
2023	\$21,198	\$96,548	\$10,764
2024	0	96,548	8,264
2025	0	94,514	5,764
2026	0	94,514	5,764
2027	0	82,176	4,890
2028-2032	0	349,193	16,343
2033-2037	0	349,193	12,612
2038-2042	0	349,193	11,350
2043-2047	0	110,351	0
2048-2052	0	40,513	0
Total	<u>\$21,198</u>	<u>\$1,662,743</u>	<u>\$75,751</u>

**Note 11 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Enterprise	Total
Outstanding Encumbrances	<u>\$589</u>	<u>\$13,920</u>	<u>\$0</u>	<u>\$30,213</u>	<u>\$14,509</u>
<i>Total</i>	<u>\$589</u>	<u>\$13,920</u>	<u>\$0</u>	<u>\$30,213</u>	<u>\$14,509</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 12 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**Village of Spencerville, Ohio**  
*Allen County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2021*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 41,798	\$ 8,578	\$ -	\$ 50,376
Municipal Income Tax	470,074	226,901	-	696,975
Intergovernmental	87,399	288,261	-	375,660
Charges for Services	627	-	-	627
Fines, Licenses and Permits	16,216	-	-	16,216
Earnings on Investments	314	-	-	314
Miscellaneous	11,597	33,053	285	44,935
<i>Total Cash Receipts</i>	<u>628,025</u>	<u>556,793</u>	<u>285</u>	<u>1,185,103</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	55,673	386,843	-	442,516
Public Health Services	5,000	-	-	5,000
Leisure Time Activities	8,407	-	-	8,407
Community Environment	2,242	-	-	2,242
Transportation	-	132,007	-	132,007
General Government	146,362	19,217	-	165,579
Capital Outlay	-	-	94,151	94,151
Debt Service:				
Principal Retirement	845	7,588	4,235	12,668
Interest and Fiscal Charges	103	651	515	1,269
<i>Total Cash Disbursements</i>	<u>218,632</u>	<u>546,306</u>	<u>98,901</u>	<u>863,839</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>409,393</u>	<u>10,487</u>	<u>(98,616)</u>	<u>321,264</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Transfers In	919	33,399	195,047	229,365
Transfers Out	(273,446)	(919)	-	(274,365)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(272,527)</u>	<u>32,480</u>	<u>195,047</u>	<u>(45,000)</u>
<i>Net Change in Fund Cash Balances</i>	136,866	42,967	96,431	276,264
<i>Fund Cash Balances, January 1</i>	<u>438,430</u>	<u>516,119</u>	<u>536,171</u>	<u>1,490,720</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 575,296</u>	<u>\$ 559,086</u>	<u>\$ 632,602</u>	<u>\$ 1,766,984</u>

See accompanying notes to the basic financial statements

**Village of Spencerville, Ohio**  
*Allen County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Proprietary Fund Types**  
*For the Year Ended December 31, 2021*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,377,758
Miscellaneous	389
<i>Total Operating Cash Receipts</i>	1,378,147
<b>Operating Cash Disbursements</b>	
Personal Services	240,190
Employee Fringe Benefits	62,463
Contractual Services	322,146
Supplies and Materials	152,833
Other	25,082
<i>Total Operating Cash Disbursements</i>	802,714
<i>Operating Income (Loss)</i>	575,433
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	223,710
Loans Issued	50,446
Miscellaneous Receipts	13,057
Capital Outlay	(274,537)
Principal Retirement	(138,493)
Interest and Other Fiscal Charges	(3,533)
<i>Total Non-Operating Receipts (Disbursements)</i>	(129,350)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	446,083
Transfers In	45,000
<i>Net Change in Fund Cash Balances</i>	491,083
<i>Fund Cash Balances, January 1</i>	1,558,894
<i>Fund Cash Balances, December 31</i>	\$ 2,049,977

*See accompanying notes to the basic financial statements*

**Village of Spencerville, Ohio**  
*Allen County*  
**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**  
**Fiduciary Fund Types**  
For the Year Ended December 31, 2021

	Fiduciary Funds Type
	Custodial
<b>Additions</b>	
Fines, Licenses and Permits for Distribution	\$ 695
<i>Total Additions</i>	695
<b>Deductions</b>	
Distributions to Other Funds (Primary Gov't)	183
<i>Total Deductions</i>	183
<i>Net Change in Fund Balances</i>	512
<i>Fund Cash Balances, January 1</i>	921
<i>Fund Cash Balances, December 31</i>	\$ 1,433

*See accompanying notes to the basic financial statements*



**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 – Reporting Entity**

The Village of Spencerville (the Village), Allen County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides various services including a mayor's court, police protection, recreation, street maintenance and repair, water and sewer utilities, and general administrative services. The Village contracts with the Spencerville Invincible Fire Department for fire and Spencerville EMS for emergency medical services.

The Village has been declared unauditible by the Auditor of State's Office. As of October, the former Fiscal Officer resigned, and a new Fiscal Officer has been hired. In November 2022, the firm of Julian and Grube CPA's from Westerville, Ohio has been retained and is working to balance the financial books.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in a public entity risk pool, Ohio Public Risk Management (OPRM). Notes 7 to the financial statements provide additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are all organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction, Maintenance and Repair*** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village street. This fund receives 92.5% of the above tax money.

***Income Tax Fund*** - This fund receives local income tax which is collected by the Income Tax Administrator. The rate for 2021 was 1.5%. Net collections are then disbursed to other funds per ordinances.

**Village of Spencerville, Ohio**  
*Allen County*  
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*For the Year Ended December 31, 2021*

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**State Highway Improvement Fund** - This fund received state money for maintenance in conjunction with the State Highway in the Village. This fund receives 7.5% of the gasoline tax and motor vehicle tax monies.

**Police Enforcement Fund** – This fund receives a share of the net local income tax collected (25%) and is used to supplement the police department salaries, wages, and other operating expenses

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village has one capital projects fund that receives a share of the local income tax.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Operating Fund** - This fund receives cash receipts from water sales to Village residents. Water systems operating cash disbursements are made from this fund.

**Sewer Operating Fund** - This fund receives cash receipts from sewer operations within the Village. Sewer system operating cash disbursements are made from this fund.

**Garbage/Refuse Fund** - This fund receives charges for services from residents to cover the cost of garbage collection in the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Mayor's Court activity.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Budgetary Process**

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 4.

**Deposits**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Capital Assets**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Leases**

The Village is the lessor/lessee in various leases (as defined by GASB 87) related to buildings, vehicles, and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

**Restricted** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**Committed** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

**Note 3 – Compliance**

Contrary to Ohio Law, at December 31, 2021, appropriations exceeded estimated resources for the Recreation Swimming Pool enterprise fund by \$7,316.

Also, contrary to Ohio law, at December 31, 2021, the Police Enforcement fund had a deficit cash balance, in the amount of \$ 422.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$600,650	\$628,944	\$28,294
Special Revenue	592,955	590,192	(2,763)
Capital Projects	200,000	195,332	(4,668)
Enterprise	1,750,005	1,710,360	(39,645)
<b>Total</b>	<b>\$3,143,610</b>	<b>\$3,124,828</b>	<b>(\$18,782)</b>

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$508,496	\$493,509	\$14,987
Special Revenue	611,612	553,930	57,682
Capital Projects	324,750	98,901	225,849
Enterprise	1,507,900	1,225,106	282,794
<b>Total</b>	<b>\$2,952,758</b>	<b>\$2,371,446</b>	<b>\$581,312</b>

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 5 – Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village's deposit accounts are as follows:

	<u>2021</u>
<b>Cash Management Pool:</b>	
Demand deposits	\$3,243,354
Other time deposits (savings and NOW accounts)	<u>575,040</u>
Total Deposits	<u><u>\$3,818,394</u></u>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Income Taxes**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 7 – Risk Management**

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**Village of Spencerville, Ohio**  
*Allen County*  
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*For the Year Ended December 31, 2021*

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Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,662,291
Liabilities	<u>(18,158,351)</u>
Members' Equity	<u>\$ 3,503,940</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

***Workers' Compensation***

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities is calculated as one experience and a common premium is applied to all entities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all entities in the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. The Municipal League provides administrative, cost control and actuarial services to the GRP.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Social Security**

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Leases		
Dump Truck Lease	\$40,038	3.90%
Ohio Public Works Commission Loans		
Downtown Streetscape	12,686	0.00%
Water Tower	9,622	0.00%
Water Distribution System	12,500	0.00%
Broadway & Mulberry Streets Waterline Replacement	50,446	0.00%
Ohio Water Development Authority Loan		
Water Tower Replacement	127,914	2.00%
WTP Construction	1,313,626	0.00%
Asset Management Plan	6,102	0.00%
New Well Construction	291,557	0.00%
Total	<u>\$1,864,491</u>	

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**OPWC Downtown Streetscape Loan** - In 2010, the Village obtained a \$29,850 loan for 20 years for the Downtown Streetscape beautification project. Debt service payments will be made in semiannual installments of \$746 on January 31 and July 1 with final payment January 2030 at a rate of 0%.

**OPWC Water Tower Loan** - Planning: In 2007, the Village obtained a loan in the amount of \$34,990 for 20 years for planning of the water tower replacement project. The loan is payable in semiannual payments of \$874 on January 31 and July 1 through January 2027 at a rate of 0%. The loan is secured by water rates.

**OPWC Water Distribution System Loan** - In 2004, the Village obtained a loan in the amount of \$100,000 for 20 years for water system distribution improvements. The loan is payable in semiannual payments of \$2,500 on January 31 and July 1 through 2024 at a rate of 0%. The loan is secured by water and sewer rates.

**OPWC Broadway & Mulberry Streets Waterline Replacement** - In 2021, the Village obtained a loan in the amount of \$50,446 for 20 years for water system distribution improvements. The loan is payable in semiannual payments of \$1,261 on January 31 and July 1 through 2039 at a rate of 0%. The loan is secured by water and sewer rates.

**OWDA Water Tower Replacement Loan** - In 2007, the Village obtained a loan in the amount of \$405,108 for 20 years for the replacement of a water tower. The loan is payable in semiannual payments of \$12,338 on January 1 and July 1 through 2027 at a rate of 2%. The loan is secured by water rates.

**OWDA WTP Construction Loan** - In 2012, the Village obtained a \$1,791,308 loan for 30 years for the construction of a new water treatment plant. Semiannual payments of \$29,855 are due on January 1 and July 1 with final payment July 1, 2043 at a rate of 0%. The loan is secured by water and sewer rates.

**OWDA Asset Management Plan** - In 2018, the Village obtained a loan in the amount of \$10,170 for 5 years for developing an asset management plan for the water system. The loan is payable in semiannual payments of \$1,017 on January 1 and July 1 through 2024 at a rate of 0%. The loan is secured by water rates.

**OWDA New Well Construction** - In 2019, the Village obtained a loan with OWDA for the construction of a new well. The project was not complete as of December 31, 2021; therefore, no amortization schedule is available. The loan is secured by water rates.

**Financed Purchases**

The Village has entered into financed purchases agreements for a 2019 International HV507 Dump/Plow Truck where ownership of the underlying asset transfers to the Village by the end of the contract. The Village disbursed \$21,198 to pay lease costs for the year ended December 31, 2021.



**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**Amortization**

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Truck Lease	OWDA Loan	OPWC Loans
2022	\$21,198	\$96,548	\$9,503
2023	21,198	96,548	10,764
2024	0	96,548	8,264
2025	0	94,514	5,764
2026	0	94,514	5,764
2027-2031	0	361,531	18,710
2032-2036	0	349,193	12,611
2037-2041	0	349,193	12,611
2042-2046	0	170,062	1,263
2047-2050	0	40,513	0
Total	\$42,396	\$1,749,164	\$85,254

**Note 11 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Enterprise	Total
Outstanding Encumbrances	\$1,431	\$6,705	\$0	\$5,829	\$8,136
<i>Total</i>	\$1,431	\$6,705	\$0	\$5,829	\$8,136

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 12 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**Village of Spencerville, Ohio**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 13 – Error Correction**

In the prior year, certain long-term debt balances disclosed in the footnotes to the financial statements were understated and/or overstated. The following corrections were made to the prior year long-term debt balances.

<b>Loan Description</b>	<b>Prior Year Balances</b>	<b>Restated Prior Year Balances</b>
General Obligation Bonds		
General Obligation Bond	\$ 45,000	\$ 45,000
Leases		
Capital Lease	-	58,937
Ohio Public Works Commission Loans		
Downtown Streetscape	14,481	14,925
Water Tower	12,247	12,247
Water Distribution System	17,750	20,000
Ohio Water Development Authority Loan		
Water Tower Replacement	160,391	138,863
WTP Construction	1,373,337	1,343,481
Asset Management Plan	8,136	7,119
New Well Construction	324,049	324,634
<b>Total</b>	<b>\$ 1,955,391</b>	<b>\$ 1,965,206</b>



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Spencerville  
Allen County  
116 S. Broadway Street  
Spencerville, Ohio 4588

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type, and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Spencerville, Allen County (the Village) and have issued our report thereon dated October 31, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items No. 2022-001, 2022-002, 2022-003, 2022-006, 2022-008, 2022-009, 2022-010, and 2022-011, and 2022-012 that we consider to be material weaknesses.

Village of Spencerville  
Allen County  
Independent Auditor's Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*  
Page 2

***Report on Compliance and Other Matters***

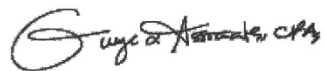
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item Nos. 2022-001 through 2022-0007, and 2022-13.

***Village's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of this Report***

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbus, Ohio  
October 31, 2023

VILLAGE OF SPENCERVILLE  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2022-001

**Material Weakness / Noncompliance Citation / IRS and OPERS Late Fees Interests and Penalties**

**Ohio Rev. Code § 145.47(B)** states, in part, the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require.

**Ohio Rev. Code § 742.32(A)** states, that the fiscal officer of each employer shall transmit monthly to the secretary of the board of trustees of the Ohio police and fire pension fund a report of employee deductions in such form as the board requires. The report shall show all deductions for the fund made pursuant to section 742.31 of the Revised Code and shall be accompanied by payments covering the total of such deductions. The report shall also include the name of each member for whom deductions were made and the portion of the payment attributed to that member. Separate payments shall be transmitted for that portion of such deductions made from the salaries of members of the police department and for that portion of such deductions made from the salaries of members of the fire department. The report and payment are due the last day of the month following the last business day of the reporting period. **Ohio Rev. Code § 742.32(B)** states that a penalty determined under section 742.352 of the Revised Code shall be assessed if any of the following occur:

(1) The report is received by the board after the due date or is not in the form required by the board. (2) Payments to cover the total amount due from the salaries of all employees of the employer are received by the board after the due date.

The penalty shall be added to and collected on the next succeeding regular employer billing. If the penalty is not paid within sixty days after it is added to the regular employer billing, interest at a rate determined by the board may be charged on the total amount due and the amount of the penalty from the date the amount is due to the date of payment.

**Ohio Rev. Code § 5747.06(A)** states, in part, that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee.

**Ohio Rev. Code § 5747.07(B)** states, in part, that except as provided in divisions (C) and (D) of this section and in division (A) of section 5747.072 of the Revised Code, every employer required to deduct and withhold any amount under section 5747.06 of the Revised Code shall file a return and shall pay the amount required by law. **Ohio Rev. Code § 5747.07(B)(4)**, states, in part, that except as required by divisions (B)(1), (2), and (3) of this section, an employer shall make the payment of un-deposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-001 (Continued)**

**Material Weakness / Noncompliance Citation / Late Fees, Interests and Penalties (Continued)**

**Ohio Rev. Code § 5747.07(B)(3)** states, in part, that if an employer's actual or required payments were more than two thousand dollars during the twelve-month period ending on the thirtieth day of June of the preceding calendar year, the employer shall make the payment of undeposited taxes for each month during which they were required to be withheld no later than fifteen days following the last day of that month. The employer shall file the return prescribed by the tax commissioner with the payment.

**26 U.S.C. § 3403** states, in part, that the employer shall be liable for the payment of the tax required to be deducted and withheld under Title 26 of the Internal Revenue code Chapter 24.

Furthermore, a well-designed system of internal controls should contain procedures to ensure invoices are paid in a timely manner and the amount paid is appropriate for Village purposes.

Due to the lack of procedures in place to timely pay liabilities and for monitoring expenditures made, the Village paid or was assessed penalties and interest on the following:

- IRS assessed penalties and interest of \$10,326.25 for late filing and payments of quarterly returns, of which \$9,019.76 was paid.
- OPERS interests of \$674.63.

Penalties, late fees and interest for failing to properly pay federal income taxes, retirement withholdings, and timely pay invoices are not considered a proper public purpose. Failure to properly remit withholdings and pay expenditures timely could result in additional late fees and improper expenditure of funds. The Village should implement proper procedures and controls to ensure the timely remittance of all tax and retirement withholding payments, and the timely payment of debt, utilities, and other obligations incurred by the Village.

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose", rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states, in part, the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village should make timely payments to ensure penalties and interest for late payments are not incurred.

**Officials' Response:**

The Fiscal Officer responsible for these actions resigned from her position in October 2022. The Village immediately hired a retired Fiscal Officer to fill in until a permanent replacement was found. In January 2023, the Village hired McKensy Brewer as the new Fiscal Officer. As of the date of this response, Ms. Brewer has received the proper training to ensure that penalties and interest are not incurred as she makes timely payments to these agencies.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-002**

**Material Weakness / Noncompliance Citation / Mayor's Court - Collections and Monthly Report**

**Ohio Rev. Code § 733.40** provides that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due to the mayor, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from who and for what purposes received, and when paid into the treasury.

Sound accounting practices require designing and operating a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for its public offices in certain categories. Furthermore, the Village should maintain an accounting system and accounting records sufficient to ensure the accountability over entity assets.

During 2021, the Village Mayor collected fines related to the Village's Mayors Court generated from traffic and code violations, however, the Mayor did not remit monies collected to the Village by the first Monday of each month. Funds were also not deposited in a timely manner in 2021. Further, for 2021, a full statement of all money received, the payer and for what purposes received, and when paid into the treasury was not provided monthly.

Without consistently performing internal control procedures and periodically monitoring the reconciliation of receipts to deposits, management cannot be reasonably assured all monies collected are deposited. In addition, failure to properly deposit and remit monies collected by the Mayor's Court cashbook reduces the accountability over the Court receipts and disbursements, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

The Village should implement policies and procedures to ensure all monies collected for the Village's Mayor's Court are deposited. This should include, but not necessarily be limited to, a reconciliation of amounts received to amounts deposited and a periodic review of the receipt and deposit records to ensure amounts have been deposited. In addition, the Mayor should properly pay monies into the treasury when received and then subsequently distribute fines collected by Mayor's Court to the Village's General Fund by the first Monday of the following month and provide the required reports at that time.

**Officials' Response:**

The Fiscal Officer and Mayor responsible for these activities during this audit period are no longer employed by the Village. The Mayor's Court Clerk is still employed. When Mayor's court begins again sometime during the first or second quarter of 2024, all staff responsible for these activities will have proper training to ensure all monies received are deposited on a regular basis.

VILLAGE OF SPENCERVILLE  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-003

**Material Weakness / Noncompliance Citation - Police Drug Enforcement Fund**

**Ohio Rev. Code § 5705.09(F)** provides each subdivision must establish “a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.”

Furthermore, **Ohio Rev. Code § 5705.12** requires the governing body to approve the establishment of these funds by ordinance or resolution and include in the resolution how monies derived are to be used.

The Village Police Department maintained a separate bank account for the donation of funds for which no fund was established in 2021 and was not reported on the Village financial statements for 2021. There was no ordinance or resolution approved establishing how the monies derived were to be used and internal control policies in relation to the receipt of the donations, use of the associated debit card, approval of the expenditures and other related matters. There was no tracking of the expenditures of the donated funds being used for the purpose specified by the donator.

In 2021, this resulted in an understatement of revenues of \$15,714, expenditures of \$18,716 beginning fund balance of \$12,993 to the Special Revenue Fund. These amounts were adjusted as fund balance adjustment on the Village’s accounting records in 2022.

Failure to establish a Village fund for the police department donations and a written internal control policy addressing the need for supporting documentation, use of the debit card and accounting of the funds could lead to the village not using funds in a proper manner and possible findings for adjustment.

The Council should retroactively approve the establishment of a Police Donations Fund. In addition, the Police department should establish a written internal control policy over the use of monies and should consider submitting it to the Council for review and approval.

**Officials’ Response:**

This has been corrected as of earlier in 2023, as Village Council adopted two pieces of legislation creating the PD Education Fund and another that established appropriations in said Fund. All financial activities associated with these funds will be run through the Village’s UAN.

FINDING NUMBER 2022-004

**Noncompliance Citation - Ohio Public Employees Retirement System Withholdings and Remittances**

**Ohio Rev. Code § 145.47(A)**, states, in part, that each public employee who is a contributor to the public employees retirement system shall contribute an amount, as determined by the public employees’ retirement board, not to exceed ten percent from each employee’s earnable salary. **Ohio Rev. Code § 145.47(B)**, states, in part, that the fiscal office of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor’s earnable salary at such interval and in such form as the system shall require.



VILLAGE OF SPENCERVILLE  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-004  
(Continued)

**Noncompliance Citation - Ohio Public Employees Retirement System Withholdings and Remittances (Continued)**

**Ohio Rev. Code § 145.48(A)** states, in part, that each employer shall pay to the public employees' retirement system an amount that shall be a certain per cent of the earnable salary of all contributors to be known as the "employer contribution, not to exceed fourteen per cent of the earnable salaries of all contributors."

Due to the lack of monitoring procedures performed by management of the remittance of the withholdings and contributions made by the Fiscal Officer, employee withholdings and employer contributions were not properly or timely remitted to the Ohio Public Employees Retirement System (OPERS) in 2021 for two of the twelve months, and in 2022 for one of twelve months.

Failure of management to monitor the proper withholding and remitting of withholdings/ contributions could result in errors and/or irregularities occurring and remaining undetected and could subject the Village to penalties and interest charges.

The Village should implement procedures to monitor pension contributions and payroll withholding transactions to ensure that all OPERS amounts withheld, and employer contributions are properly calculated and paid. This matter will be referred to the Ohio Public Employees Retirement System.

**Officials' Response:**

The Fiscal Officer responsible for these actions resigned from her position in October 2022. The Village immediately hired a retired Fiscal Officer to fill in until a permanent replacement was found. In January 2023, the Village hired McKensy Brewer as the new Fiscal Officer. As of the date of this response, Ms. Brewer has received the proper training to ensure that all OPERS amounts withheld and that all employer contributions are properly calculated and paid.

FINDING NUMBER 2022-005

**Noncompliance Citation - Mayor's Court - Distribution of Fines**

**Ohio Rev. Code § 2743.70 and 2949.091** require the court in which any person is convicted of or pleads guilty to any offense other than a traffic offense which is not a moving violation to impose and collect additional fines to be used for the state's reparations fund. The court may not waive the payment of this additional cost unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender. All moneys collected pursuant to **Ohio Rev. Code § 2949.091** during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state to credit of the indigent defense support fund established under section 120.08 of the Revised Code. All moneys collected pursuant to **Ohio Rev. Code § 2743.70** shall be transmitted on the first business day of each month by the clerk of courts to the treasurer of state and deposited by the treasurer in the reparations fund. Further, the Village Council approved a fine/fee schedule.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-005 (Continued)**

**Noncompliance Citation - Mayor's Court - Distribution of Fines (Continued)**

The Mayor's Court Clerk did not properly distribute the amounts collected in a timely manner. The 2021 and 2022 amounts collected were still not distributed as of the time of the audit.

Failure to properly distribute the Mayor's Court cashbook receipts reduces the accountability over the Court receipts and disbursements, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner. The failure to properly input the offenses as traffic vs non-traffic results in the improper distribution of fines.

The Mayor's Court Clerk should maintain a cash book and document allocation of receipts and the Village should remit the State portion of Mayor's Court fines and fees collected to the State on or before the first business day of each month or twentieth day of the following month, as applicable and submit all reports as required timely. Additionally, the Clerk should ensure that cases are properly entered, and fines allocated correctly.

**Officials' Response:**

The Fiscal Officer and Mayor responsible for these activities during this audit period are no longer employed by the Village. The Mayor's Court Clerk is still employed. When Mayor's court begins again sometime during the first or second quarter of 2024, all staff responsible for these activities will have proper training to ensure fines received are documented properly and distributed in the time period required.

**FINDING NUMBER 2022-006**

**Material Weakness/Noncompliance Citation – Filing and Remittance of Federal Withholdings**

**26 U.S.C. § 3402(a)(1)** states in part, that every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

Due to the lack of monitoring procedures of the remittance of the withholdings made by the Fiscal Officer, the Form 941 quarterly reports and related federal withholdings were not properly filed or remitted as required by the IRS in a timely manner. As of December 31, 2022, the Village had not filed the following quarters as required.

- Quarter 2 2020
- Quarter 3 2022

Failure to timely file quarterly reports could subject the Village to potential penalties and interest charges.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-006 (Continued)**

**Material Weakness/Noncompliance Citation – Filing and Remittance of Federal Withholdings (Continued)**

Management should implement monitoring procedures to ensure that all federal amounts withheld are properly remitted and that the employer's share is properly calculated and paid. The required amounts and reports should be timely remitted and filed when completing the last payroll of each quarter to avoid interest and penalties. This matter will be referred to the Internal Revenue Service.

**Officials' Response:**

The Fiscal Officer responsible for these actions resigned from her position in October 2022. The Village immediately hired a retired Fiscal Officer to fill in until a permanent replacement was found. In January 2023, the Village hired McKensey Brewer as the new Fiscal Officer. As of the date of this response, Ms. Brewer has received the proper training to ensure that federal withholdings are properly remitted and filed to avoid interest and penalties.

**FINDING NUMBER 2022-007**

**Noncompliance Citation - Appropriations Exceeding Estimated Resources**

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2021, the Village's appropriations exceeded the amount certified as available by the budget commission in the Recreation Swimming Pool Fund by \$7,315.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

**Officials' Response:**

The Fiscal Officer responsible for these actions resigned from her position in October 2022. The Village immediately hired a retired Fiscal Officer to fill in until a permanent replacement was found. In January 2023, the Village hired McKensey Brewer as the new Fiscal Officer. As of the date of this response, Ms. Brewer has received the proper training to ensure that appropriations never exceed resources, by submitting an amended certificate to the budget commission. In the event appropriations do exceed resources, legislation will be passed to reduce current year appropriations.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-008**

**Material Weakness – Mayor’s Court Bank Reconciliation**

The Village established a separate bank account for Mayor's Court activity; however, a monthly bank reconciliation was not performed during the audit period. A monthly statement of activity was prepared by the Court Clerk indicating revenues and expenditures for each month; however, this statement was not reconciled to the bank account or the financial records and there was no indication that anyone reviewed the activity presented.

The lack of performing monthly bank reconciliations and reviewing activity could result in errors or irregularities going undetected during the course of business operations.

The Village should implement procedures to reconcile the Mayor's Court bank account monthly. The reconciliations and monthly activity statements should be reviewed by the Mayor and this review should be documented.

**Officials’ Response:**

The Fiscal Officer and Mayor responsible for these activities during this audit period are no longer employed by the Village. The Mayor’s Court Clerk is still employed. When Mayor’s court begins again sometime during the first or second quarter of 2024, all staff responsible for these activities will have proper training and will reconcile activity at the end of each month; this will also be reviewed and signed by the Mayor.

**FINDING NUMBER 2022-009**

**Material Weakness – Income Tax Department Lack of Segregation of Duties**

The Fiscal Officer / Income Tax Administrator had the ability to perform the following duties:

- Receive mail and over the counter money and process it through the cash register;
- Prepare and make the daily deposits with the bank;
- Post transactions in the Municipal Income Tax Solutions System and well as in Uniform Accounting Network;
- Determine who receives a refund and pay out the refunds;
- Send delinquent notices; and
- Determine abatement of penalties and interest.

Allowing one individual to perform all of these functions did not provide for proper segregation of duties and could allow the manipulation of records and misappropriation of assets in the normal course of business without being detected.

The duties of opening mail, receiving and depositing tax payments, and reconciling should be segregated from the posting of the information to the system, calculating refunds and sending delinquent notices. In addition, the Village Council should develop a policy for independent review and approval of all adjustments to income tax accounts.

**Officials’ Response:**

his has been corrected, as the Village now contracts with the Regional Income Tax Agency (RITA) for the administration of its income tax. This took effect as of January 1, 2023.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-010**

**Material Weakness - Segregation of Duties - Utilities**

The Utilities Clerk had the ability to perform the following duties:

- Receive over the counter money and process it through the cash register;
- Open mail and process the money through the cash register;
- Prepare and make the daily deposits with the bank;
- Post transactions in the Intedata System;
- Determine adjustments and post to the system;
- Send delinquent notices; and
- Determine abatement of penalties and interest.

Allowing one individual to perform all of these functions, without supervisory reviews, did not provide for proper segregation of duties and could allow the manipulation of records and misappropriation of assets in the normal course of business to occur without being detected. Additionally, lack of supporting documentation or supervisory approval of account adjustments increases the risk that improper adjustments may be used to divert receipts.

The duties of opening mail, receiving and depositing utility payments, and reconciling should be segregated from the posting of the information to the system, calculating adjustments and sending delinquent notices to ensure that no single person has control over all phases of the transaction. In a small operation such as a Village, it is not always possible to have enough staff to properly segregate duties.

Understanding this, the Council should take a more active role in monitoring transactions, such as reviewing the work completed by others. In addition, the Village Council should develop a policy or written procedures for independent reviews and approval of all adjustments to utility accounts.

**Officials' Response:**

To the extent practical, this issue has been corrected, and has been for several years. It is not practical to have an additional employee in the office to assist with these duties on a daily basis, or during the absence of the Utilities Clerk and/or Village Administrator. All duties associated with the collections, administration, etc. of utilities billing is a shared process between the Utilities Clerk and Village Administrator on a daily basis. It is not practical for there to be total segregation of duties, as employees have days off, etc. All adjustments made are done so in compliance with the Village's Water System Operating Rules and are reviewed and signed off by the Village Administrator. In addition, a monthly report of the previous month's utilities billing activities, is provided to the Utilities Committee Chairperson, for their review. Finally, all month-end information is provided to the Fiscal Officer for their review.

**FINDING NUMBER 2022-011**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs. A14 & A16.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-011 (Continued)**

**Material Weakness – Financial Reporting (Continued)**

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post all receipts and expenditures. Amounts were not always posted to the correct fund and/or line item. The following errors were noted:

We noted the following in 2021:

- Homestead Rollbacks revenues in the amounts of \$4,579 were receipted as Property and Other Local Taxes, instead of Intergovernmental Revenues, in the General, Fund.
- Grant revenues in the amount of \$6,988 received from the State were receipted as Miscellaneous Revenues in the General Fund.
- A total of \$746 in principal and interest payments for the OPWC Street loan was incorrectly paid from the Water Operating fund in lieu of the Street Construction Maintenance and Repair fund.
- OWDA loan forgiveness in the amount of \$26,932 was not recorded.
- On-behalf payments of \$247,224, consisting of \$50,446 in new loans issued and \$196,778 in grants were not recorded.
- A total of \$18,899 in principal and \$2,299 in interest payments were incorrectly recorded as capital outlay in the General, Street Construction Maintenance and Repair, State Highway, Permissive Motor Vehicle License Tax, Water Operating, and Sewer Operating funds.
- A total of \$1,000 was recorded as loan issuance proceeds and principal payments in the capital projects fund, to account for loan forgiveness that did not occur.
- A total of \$415 was recorded as loan issuance proceeds in the Water Operating Fund with a corresponding entry of \$415 as capital outlay in the capital projects fund, to account for a loan forgiveness that did not occur.
- Donation revenues of \$10,000 were recorded as Special Item in lieu of Miscellaneous revenues in the General Fund.

We noted the following in 2022:

- Intergovernmental revenues of \$1,200, \$21,532, and \$33,000 were incorrectly recorded as negative expenditures in the Water Operating, Sewer Operating and Permissive Motor Vehicle License Tax Funds, respectively.
- A total of \$19,636 in principal and \$1,562 in interest payments were incorrectly recorded as capital outlay in the General, Street Construction Maintenance and Repair, State Highway, Permissive Motor Vehicle License Tax, Water Operating, and Sewer Operating funds.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-011 (Continued)**

**Material Weakness – Financial Reporting (Continued)**

Audit adjustments, which were agreed by management, are reflected in the financial statements and in the accounting, records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**Officials' Response:**

The Fiscal Officer responsible for these actions resigned from her position in October 2022. The Village immediately hired a retired Fiscal Officer to fill in until a permanent replacement was found. In January 2023, the Village hired McKensy Brewer as the new Fiscal Officer. As of the date of this response, Ms. Brewer has received the proper training to ensure that all financial transactions are posted to the proper fund/account.

**FINDING NUMBER 2022-012**

**Material Weakness: Mayor's Court Activities and On-Behalf Payments**

In our audit engagement letter, as required by AU-C Section 210, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs. A14 & .A16.

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Further, Auditor of State (AOS) Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2022-012 (Continued)**

**Material Weakness: Mayor’s Court Activities and On-Behalf Payments (Continued)**

The Village did not always accurately classify receipts and disbursements to the correct account classification.

For the year ended December 31, 2021, the following errors were noted:

- Mayor's Court financial activity was not included on the Financial Statements filed in the Hinkle System, which resulted in adjustments to Other Non-Operating Cash Disbursements totaling \$183, Other Non-Operating Cash Receipts totaling \$695.
- OPWC debt proceeds of \$50,446, and grants of \$196,778 paid directly to the contractors were not recorded as debt proceeds, intergovernmental revenues, and its corresponding expenditures as capital outlay.

For the year ended December 31, 2022, the following errors were noted:

- Mayor's Court financial activity although included the Financial Statements filed in the Hinkle System contained licensing revenues from the General fund, which resulted in adjustments to Other Non-Operating Cash Receipts totaling \$296.

The adjustments above, with which management agrees, are reflected in the accompanying financial statements.

The Village did not have procedures in place to accurately post receipts, disbursements, and fund balance in the correct classification to the accounting system.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Village's financial position and operations.

The Fiscal Officer should refer to the Ohio Village Handbook, and AOS Bulletin 2000-08 for proper receipt, expenditure, fund balance classifications, and on-behalf receipts and expenditures, and take additional care in posting transactions to the Village ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's financial resources.

**Officials’ Response:**

The Fiscal Officer and Mayor responsible for these activities during this audit period are no longer employed by the Village. The Mayor’s Court Clerk is still employed. When the Mayor’s court begins again sometime during the first or second quarter of 2024, all staff responsible for these activities will have proper training and will ensure that all financial activities in Mayor’s Court will be properly filed and recorded.

In addition, the current Fiscal Officer has a great understanding of how On-Behalf receipts and expenditures are to be posted in UAN.



VILLAGE OF SPENCERVILLE  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-013

**Noncompliance – Negative Fund Balance**

**Ohio Rev. Code § 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

In 2022, as a result of prior audit adjustments, the New Well Project fund reflected deficit balance of \$17,788. In 2021, the Police Enforcement fund had a deficit cash balance, in the amount of \$ 422.

Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure and control, such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**Official's Response:**

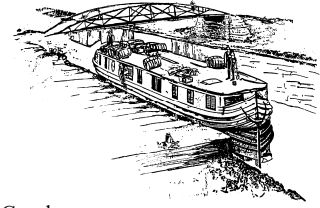
The Fiscal Officer responsible for these actions resigned from her position in October 2022. The Village immediately hired a retired Fiscal Officer to fill in until a permanent replacement was found. In January 2023, the Village hired McKensy Brewer as the new Fiscal Officer.

This has been corrected, as a transfer was made from the General Fund to bring the balances in both funds to a zero balance.



# Village of Spencerville

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On the Banks of the Miami-Erie Canal

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2022

Finding Number	Finding Summary	Status	Additional Information
2020-001	Internal Control Deficiency / Noncompliance Citation / Finding for Recovery - Overpayment of Payroll Wages	Corrected	N/A
2020-002	Internal Control Deficiency / Noncompliance Citation / Finding for Recovery – Late Fees and Sales Tax	Corrected	N/A
2020-003	Non-Compliance Citation – Purpose of Executive Session	Corrected	N/A
2020-004	Internal Control Deficiency / Non-compliance Citation/ Finding for Recovery Mayor’s Court Collections and Monthly Report	Not Corrected	Repeated as Finding # 2022-002
2020-005	Non-Compliance Citation – Ohio Pooled Collateral System – Sufficient Monitoring	Corrected	N/A
2020-006	Noncompliance Citation – Public Records Retention and Policy	Corrected	N/A
2020-007	Internal Control Deficiency / Noncompliance Citation – Police Drug Enforcement Fund	Not Corrected	Repeated as Finding # 2022-003
2020-008	Noncompliance Citation – Ohio Public Employees Retirement System Withholding and Remittances	Not Corrected	Repeated as Finding # 2022-004
2020-009	Non-Compliance Citation – Issuance of 1099s	Corrected	N/A
2020-010	Noncompliance Citation – Fire and EMS contract Payments	Corrected	N/A
2020-011	Noncompliance Citation – Expenditures in Excess of Appropriations	Corrected	N/A
2020-012	Noncompliance Citation – Mayor’s Court - Distribution of Fines	Not Corrected	Repeated as Finding # 2022-005
2020-013	Noncompliance Citation – Remittance of Federal Withholdings	Not Corrected	Repeated as Finding # 2022-006
2020-014	Noncompliance Citation – Fiscal Officer Training and Exemption	Corrected	N/A

2020-015	Noncompliance Citation – Certificate of Estimated Revenue / Appropriations Exceeding Estimated Resources	Not Corrected	Repeated as Finding # 2022-007
2020-016	Noncompliance Citation - Prior Certification	Partially Corrected	Reissued in management letter
2020-017	Noncompliance Citation - Timely Filing of Financial Statements	Corrected	N/A
2020-018	Noncompliance Citation – Ohio Public Employees Retirement System Withholding and Remittances	Not Corrected	Repeated in 2022-004
2020-019	Noncompliance Citation - Issuance of 1099G's	Corrected	N/A
2020-020	Noncompliance Citation – Outstanding Checks	Corrected	N/A
2020-021	Internal Control Deficiency - Posting of Approved Budgetary Appropriations and Estimated Receipts	Corrected	N/A
2020-022	Internal Control Deficiency – Mayor's Court Bank Reconciliation	Not Corrected	Repeated as Finding # 2022-008
2020-023	Internal Control Deficiency – Income Tax Department Lack of Segregation of Duties	Not Corrected	Repeated as Finding # 2022-009
2020-024	Internal Control Deficiency - Segregation of Duties - Utilities	Not Corrected	Repeated as Finding # 2022-010
2020-025	Internal Control Deficiency - Income Tax Collection and Recording	Corrected	N/A
2020-026	Internal Control Deficiency – Lack of Supporting Documentation	Corrected	N/A
2020-027	Internal Control Deficiency – Leave Accruals	Corrected	N/A
2020-028	Internal Control Deficiency - General Account Bank Reconciliation and Financial Report Monitoring	Corrected	N/A
2020-029	Internal Control Deficiency / Noncompliance Citation - Accuracy of Financial Statement Reporting	Not Corrected	Repeated as finding # 2022-011
2020-030	Internal Control Deficiency – Disaster Recovery Plan for Accounting Activity	Corrected	N/A
2020-031	Noncompliance – Sales Tax Paid	Corrected	N/A
2020-032	Noncompliance Citation – Prior Certification of Funds and Negative Fund Balances	Not Corrected	Repeated as Finding # 2022-013

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF SPENCERVILLE**

**ALLEN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 1/9/2024**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)